

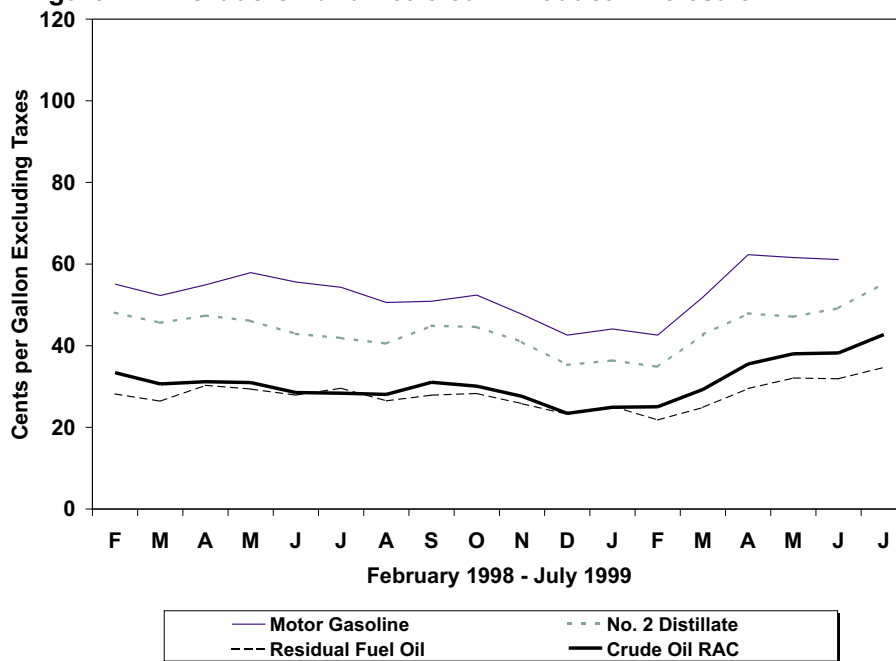
# Highlights

International crude oil prices climbed during July as market conditions leading to enervated prices during the past year continued to wane. Wellhead production rates for nations participating in the Organization of Oil Exporting Countries (OPEC)-sponsored production cuts agreements moved closer to targeted values during July, and played an influential role behind rising prices. Despite comparatively flat demand for crude oil, the reduced output has led to a tighter balance between global oil supply and demand and generated a market environment inclined toward higher prices. Comments made by the president of Petroleos de Venezuela (PDVSA) during the latter part of the month highlighted the value of reducing the amount of crude oil in world markets. The statement, pertaining to the possibility of increasing production if the price for West Texas Intermediate (WTI) crude oil rose above \$22 per barrel, sent crude oil prices sharply downward across world markets. Other Venezuelan officials responded a few days later saying that the underlying problem of high inventory levels had not yet been alleviated and it was unlikely any changes would be made to production quotas during a regularly scheduled OPEC meeting in September. Political affairs in other world regions also affected prices. Civil discord in Nigeria dampened output of its desirable light, sweet crude oil and as a consequence, market interest shifted to, and increased prices for comparable crude oil streams. Additional support for prices in key markets resulted from declines in finished products stocks, particularly gasoline. More robust prices for finished products improved refining margins, which in turn led to increased refinery runs which bolstered demand for crude oil. Finally, signs of recovery in some Asian econo-

mies lifted hopes that demand for petroleum products would begin to return to pre-October 1997 patterns. Prior to that point, Asia was considered the region with the most potential for significant growth in demand for petroleum products.

In the United States, crude oil and finished product prices rose during July as refinery problems and supply difficulties, particularly on the West Coast, governed their direction. While prices throughout the products complex moved higher, gasoline prices experienced the largest increases as demand during the height of the summer driving season climbed and stocks dropped steadily. Data indicate that stocks of gasoline in the U.S. fell slightly more than 5 percent from both the year-ago and June 1999 levels. Much of the motivation for these price and supply trends came from refinery breakdowns. On the West Coast, the im-

**Figure HL1. Crude Oil and Petroleum Product Wholesale**



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

**Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products**

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	July 1999		June 1999		July 1998		July 1999		June 1999		July 1998	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	80.0	64.1	75.6	66.2	69.4	67.3	NA	NA	61.1	324.6	54.3	321.9
<b>Conventional</b> .....	76.7	38.9	72.0	39.9	67.2	41.1	64.8	211.0	57.3	217.8	51.6	220.3
Regular .....	72.7	27.1	67.9	27.9	63.2	28.6	62.8	161.1	55.2	166.7	49.4	168.4
Midgrade .....	82.4	6.2	77.9	6.3	72.7	6.5	NA	NA	NA	NA	55.1	17.2
Premium .....	89.8	5.5	85.1	5.7	80.2	6.0	NA	NA	NA	NA	60.2	34.7
<b>Oxygenated</b> .....	86.3	1.8	81.7	1.8	74.7	2.0	77.1	6.3	69.9	6.4	61.6	5.9
Regular .....	84.6	1.5	79.8	1.5	72.2	1.6	76.4	4.7	69.2	4.7	60.3	4.6
Midgrade .....	90.5	0.2	86.1	0.2	81.2	0.2	NA	NA	NA	NA	62.7	0.8
Premium .....	96.8	0.1	94.9	0.1	89.0	0.2	NA	NA	NA	NA	70.3	0.5
<b>Reformulated</b> .....	85.2	23.4	81.1	24.5	72.8	24.3	NA	NA	NA	NA	60.0	95.7
Regular .....	81.1	15.9	76.8	16.7	67.8	16.0	NA	NA	NA	NA	56.2	64.5
Midgrade .....	90.1	3.8	86.5	3.9	78.2	4.1	NA	NA	NA	NA	64.9	11.0
Premium .....	97.4	3.7	94.0	3.9	86.6	4.2	NA	NA	NA	NA	69.5	20.2
<b>Aviation Gasoline</b> .....	109.4	0.2	103.3	0.2	98.4	0.2	101.6	0.9	95.0	1.0	93.6	0.9
<b>Kerosene-Type Jet Fuel</b> .....	54.2	52.5	50.6	51.8	43.4	51.7	53.3	13.8	49.3	14.0	43.8	11.6
<b>Propane (Consumer Grade)</b> .....	41.0	2.8	38.7	2.2	35.8	1.9	34.5	29.3	29.6	27.7	25.7	26.8
<b>Kerosene</b> .....	55.2	0.2	46.3	0.1	47.4	0.3	53.4	0.8	46.8	0.8	41.7	1.1
<b>No. 1 Distillate</b> .....	NA	NA	NA	NA	NA	NA	63.3	0.3	57.0	0.3	50.2	0.3
<b>No. 2 Distillate</b> .....	57.4	24.5	52.5	25.0	47.3	25.9	55.3	118.7	49.3	129.2	41.9	122.8
No. 2 Fuel Oil .....	NA	NA	NA	NA	44.8	3.1	50.8	20.0	44.2	21.4	38.8	22.0
No. 2 Diesel Fuel .....	58.3	20.9	53.3	21.6	47.6	22.8	56.3	98.7	50.3	107.8	42.6	100.9
Low Sulfur .....	60.7	13.9	55.6	14.7	49.3	15.4	56.9	85.4	50.9	93.8	43.0	84.5
High Sulfur .....	53.5	7.0	48.5	7.0	44.2	7.3	52.3	13.3	46.3	14.0	40.4	16.4
<b>No. 4 Fuel<sup>a</sup></b> .....	46.3	0.4	43.1	0.3	38.4	0.4	43.4	0.1	39.1	0.1	37.5	NA
<b>Residual Fuel Oil</b> .....	36.9	12.1	34.3	11.8	31.4	16.0	34.7	12.8	31.9	10.1	29.6	19.4
Sulfur Content not > 1 % .....	40.5	4.1	38.1	3.6	35.0	4.5	38.2	4.4	34.8	3.5	30.7	8.6
Sulfur Content > 1 % .....	35.1	8.0	32.6	8.2	30.0	11.6	32.9	8.4	30.3	6.5	28.8	10.8

NA = Not available.

<sup>a</sup> Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

 Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

pact of repairs to various refineries that began in June were exacerbated by breakdowns at other facilities during July. While prices eased during the middle of the month as supplies reached the region, they soared once again as news of additional refinery problems hit the marketplace. In Los Angeles, the spot market price for unleaded regular gasoline had eased to the 80-cents-per-gallon range during the third week of the month, only to jump to \$1.06 during the final days of July.

Additional July market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

## Crude Oil

In response to reduced international wellhead production, the daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma continued to rise during July. Opening at \$19.33 per barrel, the price gradually rose during the first half of the month before dipping to the low of \$19.38 per barrel on July 20 due to a combination of fundamental and technical market factors. Returning to an upward mode, the price rose to \$21.09 per barrel on July 29, its highest level since October 1997. Closing the month at \$20.52 per barrel, the price was \$1.19 per barrel higher than its opening level.

- Average crude oil prices for July show increases in all categories. The average domestic crude oil first purchase price rose \$1.83 (12.8 percent), to \$16.17 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil shows the largest increase, rising \$2.02 (13.5 percent) to \$16.96 per barrel. The average landed cost of foreign crude oil rose \$1.89 (11.9 percent), to \$17.79 per barrel.
- The monthly average refiner acquisition cost for domestic crude oil increased \$1.81 (11.1 percent), to \$18.10 per barrel. The average cost of imported crude oil to U.S. refiners rose \$1.91 (12.0 percent), to \$17.82 per barrel. The composite refiner acquisition cost of crude oil increased \$1.86 (11.6 percent), to \$17.92 per barrel.

## Petroleum Products

### *Motor Gasoline*

At New York Harbor, the daily spot price for unleaded regular gasoline rose markedly during July in reaction to falling inventories, higher demand, and refinery problems. After the month's low of 54.0 cents per gallon was set on July 1, the price rose considerably during the next several weeks. After experiencing some short-lived declines late in the month, the price jumped to its highest level in nearly 2 years, 62.7 cents per gallon, on July 29. Easing to 61.8 cents per gallon on the closing day of the month, the price was more than 8 cents higher than where it began July.

- National average gasoline prices increased in all categories of sales during July. The average price for retail sales of motor gasoline by refiners rose 4.4 cents to 80.0 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets increased 4.9 cents to 78.9 cents per gallon. The average wholesale price climbed 7.2 cents to 68.6 cents per gallon. The average dealer tank wagon (DTW) price rose 5.6 cents to 76.5 cents per gallon, while the average rack price increased 7.6 cents to 66.1 cents per gallon. The average price for bulk sales jumped 8.0 cents to 60.3 cents per gallon. The difference between reformulated and conventional gasoline prices during July was 7.3 cents at the retail level. The margin between conventional and oxygenated gasoline prices was 6.1 cents at retail and 9.9 cents at wholesale.
- July sales of finished motor gasoline by refiners were somewhat soft. Total retail sales fell 2.1 million gallons per day (3.2 percent). Data reflecting the volume of total wholesales are not available.

### *No. 2 Distillate*

Bolstered again by the performance of other products' prices, the daily spot price for No. 2 heating oil at New York Harbor increased during July. The month's low, 48.2 cents per gallon, was established on the first day of the month, after which the price continued on the rising path seen throughout the market. The price reached its high of 52.6 cents per gallon on July 29, then closed the month at 51.4 cents per gallon, 3.7 cents higher than where it began.

- July monthly average No. 2 distillate prices increased once again from the previous month's rates. The national average residential price rose 0.5 cent to 81.3 cents per gallon, while the average wholesale price increased 5.8 cents to 55.7 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets jumped 5.2 cents, while the average wholesale price increased 5.6 cents. The difference between low- and high-sulfur diesel fuel prices was 5.6 cents at retail and 3.9 cents at wholesale.
- Refiner sales of No. 2 distillate generally declined during July. Sales of No. 2 diesel fuel fell 9.8 million gallons per day (7.6 percent), with low-sulfur No. 2 diesel fuel declining 9.2 million gallons per day (8.5 percent), and high-sulfur diesel fuel decreasing 700,000 gallons per day (3.3 percent).

### ***Residual Fuel Oil***

- Residual fuel oil prices rose across the board in July. Refiner prices for low-sulfur residual fuel increased 2.4 cents to 40.5 cents per gallon at retail, and 3.4 cents to 38.2 cents per gallon at wholesale. High-sulfur residual fuel prices rose 2.5 cents to 35.1 cents per gallon at retail, and 2.6 cents to 32.9 cents per gallon at wholesale. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price climbed 3.5 cents to 40.0 cents per gallon at retail, and 4.0 cents to 38.2 cents per gallon

at wholesale. The average price for high-sulfur residual fuel oil increased 2.6 cents to 35.9 cents per gallon at retail, and 2.3 cents to 34.0 cents per gallon at wholesale.

- Residual fuel oil sales by refiners generally increased during July. Total sales of high sulfur residual fuel oil rose 1.7 million gallons per day (11.6 percent), to 16.4 million gallons per day.

### ***Other Products***

- July prices for products included in this section increased for the most part. Refiner propane prices rose 2.3 cents per gallon at retail, and 4.9 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price dropped 4.5 cents per gallon. The average retail price for propane declined 2.6 cents, while the average wholesale price increased 5.3 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, and No. 4 distillate rose at both retail and wholesale. The price for No. 1 distillate increased at the wholesale level.
- Refiner sales of propane and kerosene increased at both retail and wholesale during July, while sales of aviation gasoline fell at both levels. Sales of kerosene-type jet fuel and No. 4 distillate increased at retail but declined at wholesale. Sales of No. 1 distillate also decreased at the wholesale level.

